

**Docket No.:** 15-0142  
**R.O.M.:** 1/20/16  
**Deadline:** 1/28/16

**MEMORANDUM**

---

**TO:** The Commission

**FROM:** Leslie D. Haynes and Sonya Teague Kingsley,  
Administrative Law Judges

**DATE:** January 11, 2016

**SUBJECT:** Ameren Illinois Company d/b/a Ameren Illinois

Proposed general increase in gas delivery service rates and revisions to other terms and conditions of service. (tariffs filed January 23, 2015)

**RECOMMENDATION:** Deny the Applications for Rehearing.

---

**I. PROCEDURAL HISTORY**

On December 9, 2015, the Commission entered its Final Order (“Order”) in this proceeding which concerns Ameren Illinois Company d/b/a Ameren Illinois’ (“Ameren” or “AIC” or “Company”) proposed increase in gas delivery service rates. The Citizens Utility Board (“CUB”), the Illinois Industrial Energy Consumers (“IIEC”), and the Attorney General of the State of Illinois (“AG”) each filed Applications for Rehearing on January 8, 2016. CUB and IIEC also jointly filed an Application for Rehearing on the same day.

The rules of practice for applications for rehearing before the Commission are contained in 83 Ill. Adm. Code Part 200.880, which provides in part, that:

- a) After issuance of an order on the merits by the Commission, a party may file an application for rehearing. The application shall state the reasons therefore and shall contain a brief statement of proposed additional evidence, if any, and an explanation why such evidence was not previously adduced. The application shall be filed within 30 days after service of the order on the party.
- \* \* \* \*
- b) Applications for rehearing must state with specificity the issues for which rehearing is sought. Incorporation of arguments made in prior pleadings and briefs must be specific as to document and page.
  - c) If an application for rehearing alleges new facts, then the application must be filed with a verification. A verification need not be filed with an application for rehearing if the application does not allege new facts.

- d) . . . The Commission shall grant or deny the application in whole or in part within 20 days from the date of receipt by the Commission.

The Applications for Rehearing were timely filed.

## **II. ISSUES**

### **A. CUB's Application for Rehearing**

#### **1. Analysis**

CUB seeks rehearing on the use of straight fixed variable ("SFV") rate design to set rates for residential customers. At issue here is what percentage of revenues should be recovered through fixed charges and what percentage should be recovered through per therm charges. The Order adopts Staff's proposal that 70% of revenues should be collected through fixed charges. The remaining revenue is recovered through per therm charges and subject to a reconciliation pursuant to Rider VBA – the Company's Volume Balancing Adjustment. The AG proposes that only 53.9% of residential revenues be recovered through fixed charges.

#### **2. Recommendation**

CUB raises no new evidence or arguments. The Order thoroughly considered this issue. The ALJs recommend that the Commission deny rehearing on this issue.

### **B. IIEC's Application for Rehearing**

#### **1. Analysis**

IIEC seeks rehearing on the Commission's decision to adopt AIC's peak and average methodology to allocate demand-related transmission and distribution main costs instead of IIEC's proposal to use the design day methodology. IIEC states that the Order gives an inordinate amount of weight to prior Commission decisions approving the peak and average methodology which are not binding and it fails to address prior Commission decisions in which the methodology was rejected. IIEC argues that the Order erroneously finds that the peak and average methodology better reflects cost causation. Finally, IIEC argues that the peak and average methodology double counts the average demand component.

#### **2. Recommendation**

These are the same arguments previously made by IIEC and they were thoroughly addressed in the Order. IIEC has not presented any new evidence or information that would warrant rehearing on this issue.

### **C. CUB/IIEC's Application for Rehearing**

#### **1. Analysis**

CUB/IIEC request that the Commission reconsider its decision adopting AIC's forecast for the years 2015 and 2016 of non-union salary and wage increases of 3% and 4% respectively. CUB/IIEC assert that these increases are inflated and unreasonable in light of national trends. It is CUB/IIEC's position that these increases should be capped at the 2% historical national wage inflation rate during the past three years.

## **2. Recommendation**

CUB/IEEC have not offered any new evidence or information on this issue but instead reiterate their previous arguments. The ALJs recommend that the Commission deny rehearing on this issue.

### **D. AG's Application for Rehearing**

#### **1. Analysis**

The AG seeks rehearing on a number of issues including charitable contributions, non-union salaries and wages, incentive compensation, qualified pension and other post-employment benefit costs ("OPEB"), non-qualified executive benefit costs, Gas Technology Institute expense, well-related maintenance expense, and residential rate design.

##### **a. Charitable Contributions**

The AG seeks rehearing on the Commission's decision to remove the AG's proposed reporting requirements. The AG states that by removing the reporting requirements, the Order's stated grounds for finding the \$1,000,000 contribution to be just and reasonable no longer holds firm. The AG also notes that AIC had already indicated its willingness to submit a report.

##### **b. Non-Union Salaries and Wages**

Like CUB/IEEC, the AG takes issue with the Commission's decision to adopt AIC's forecast for non-union salary and wage increases. The AG contends that the approved increases are excessive especially when they are assessed within the lens of stagnant wage growth in the economy generally and lower household income experienced by Illinois residents over the past few years. The AG maintains that there is no support for AIC's claim that it needs to offer 4% annual salary increases to attract and retain quality employees and that the Order mistakenly relies on this claim. The AG argues that the Commission should reconsider its decision and adopt its proposal to limit these increases to 2% in line with the historical wage increases during the past three years.

##### **c. Incentive Compensation**

The AG argues that the Commission should reconsider its decision to adopt AIC's forecasted incentive compensation costs of approximately \$7,900,000 and adopt the AG's recommendation to disallow over \$5,800,000 of these costs. The AG contends that many of the performance metrics in AIC's incentive compensation plan fail to tie achievement thereunder to customer benefit. Additionally, the AG asserts that the Order is also flawed because it appears to require the AG to proffer an alternative incentive compensation plan design in order to support its recommended disallowance which the AG maintains is a misapplication of the relevant law.

##### **d. Qualified Pension and OPEB Costs**

The AG contends that the Commission should reconsider this issue and adopt its recommended adjustment of \$4,100,000 to operations and maintenance expense and \$2,800,000 for capital additions associated with AIC and Ameren Services Company pension and OPEB expense. The AG argues that the Order's conclusion on this issue

should be reconsidered because it inaccurately implies that the AG's adjustment is based on an allegation of improper accounting for historical asset gains. Moreover, the AG argues that the Order's conclusion on this issue is also inaccurate because it finds that the AG's recommended adjustment would constitute unlawful single-issue ratemaking and violate the Commission's test year rules.

**e. Non-Qualified Executive Benefit Costs**

This issue involves recovery of AIC's expense for pension costs that are not deductible according to Internal Revenue Service ("IRS") standards. The Order reaffirmed a prior Commission decision in a 1991 rate case, which found that IRS policies are not evidence that employees are overcompensated.

**f. Gas Technology Institute Expense**

The AG argues that the Commission erred in allowing AIC to recover the cost of its Gas Technology Institute Operations Technology Development program membership because there is not substantial evidence in the record of its benefits.

**g. Well-Related Maintenance Expense**

The AG argues that the Commission erred in allowing AIC to recover its expenses related to spending in this category. The AG argues that the Company did not justify its sharp increase in spending in 2015 and 2016 compared to 2014. The AG asserts that the Commission's decision is not based on substantial evidence.

**h. Residential Rate Design**

The AG, similar to CUB, seeks rehearing on the rate design adopted by the Commission for AIC's residential customers. The AG asserts that the Order's conclusion unfairly punishes low-end users. The AG requests rehearing to correct the inequities that are prolonged by the Order.

**2. Recommendation**

The AG raises no new evidence or arguments regarding these issues. The Order thoroughly considered these issues. The ALJs recommend that the Commission deny rehearing on them.

**III. CONCLUSION**

We recommend that the Commission deny the Applications for Rehearing for the reasons noted above. The deadline for Commission action is January 28, 2016.

LDH/STK:jt